

July 29, 1999

Prospective Offerors,

The Internal Revenue Service (IRS) is continuing its approach to an Electronic Tax Administration (ETA) partnership with industry that began on November 26, 1997, with the release of IRS' first Request for Agreements (RFA). The first and subsequent RFAs resulted in several agreements for tax filing seasons 1998 and 1999. As a result, the IRS is again offering partnerships for the year 2000 filing season. This RFA deals with Non-Monetary Agreements for the 2000 filing season to allow IRS-approved commercial software developers and trade associations working with them to participate in the expansion of the Practitioner PIN Pilot.

If you have any questions concerning the pilot to be conducted as described in the RFA, please submit them by e-mail to both Jeffrey.Petrino@ccmail.irs.gov and Thomas.S.Bruce@M1.irs.gov at your earliest convenience. Call Mr. Petrino on (202) 283-1411 if you have questions about proposal instructions. The IRS must receive proposals for the 2000 filing season as set forth in section 3.0 of the RFA. The IRS anticipates issuing agreements for this PIN Pilot for the 2000 filing season on or before September 15, 1999. The IRS will work with the Industry Partners to ensure proper software modification after selections have been made.

Thank you for your interest and we look forward to receiving your proposals under this Request for Agreements for Electronic Tax Administration Partnership.

Sincerely,

Sherrill Fields
National Director,
Electronic Program Enhancements

Attachment

1.0 INTRODUCTION

The Internal Revenue Service (IRS) is continuing its approach to an Electronic Tax Administration (ETA) partnership with industry that began on November 26, 1997, with the release of IRS's first Request for Agreements (RFA)¹. Since that time, we have issued additional RFAs and entered into several partnership agreements with industry related to the electronic filing of individual returns, such as, 1) accepting credit cards for payments of balances due, 2) conducting signature pilots using Personal Identification Numbers (PINs), and 3) promoting on-line electronic filing through hyperlinks from the IRS World Wide Web Site to Software Developers' Web Sites.

This solicitation is for the expansion of the Practitioner PIN Pilot conducted during the 1999 filing season. Industry Partners who are selected to participate in the pilot will work with IRS to enable preparers and taxpayers to use self-selected PINs to sign their returns. A description of the filing season 1999 pilot (Tax Year 1998) is included in Attachment A. The IRS may choose up to three new Industry Partners for the 2000 filing season.

This is a solicitation of proposals for Non-Monetary Agreements only. No proposal for funding will be considered. In general, "agreements" are defined as non-monetary arrangements between two parties (commercial firm, not-for-profit organization, or any federal, state or local agency and the IRS). However, for this RFA, the IRS will enter into agreements with IRS-approved commercial software developers and trade associations working with them that meet certain mandatory requirements (see 1.3).

1.1 Background

The IRS is the largest processor of information in the world, processing nearly 2 billion transactions in 1999. These transactions include receiving and processing tax related data, including individual and business income tax returns, informational returns (e.g., interest, dividend), and payments. While some of the transactions are electronic, the IRS still devotes significant resources to convert much of the information provided by its information exchange partners into an electronically processable format. There were 28.8 million 1040 series returns as of May 21, 1999 and 34.9 million payments filed electronically. A total of 32.6 million electronically filed returns are projected for 2000.

At IRS, electronic tax administration represents the two-way electronic exchange of information that the IRS has with individual and business taxpayers, taxpayer representatives, tax practitioners, financial institutions and other government entities. It also provides the mechanisms for taxpayers, preparers and practitioners, payers, and other information exchange partners to file returns, make payments, exchange correspondence, and retrieve forms, publications, and other information from the IRS with a minimum reliance on paper.

The mission of the ETA organization is to revolutionize how taxpayers transact and communicate with the IRS. Strategies to fulfill the mission include:

- Making electronic filing, payment, and communication so simple, inexpensive, and trusted that taxpayers will prefer these to calling and mailing;
- Providing additional taxpayer access methods to electronic filing, payment, communication products and services;

¹ Because the participation in agreements will not entail the expenditure of appropriated funds, the agreements do not meet the definition of "acquisition" in Federal Acquisition Regulation (FAR) 2.101. Therefore, the FAR does not apply to this RFA or the resulting Agreements.

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- Aggressively protecting transaction integrity and quality;
- Substantially reducing electronic filing per return processing costs;
- Seeking the best people, ideas and partners to assure our success; and,
- Delivering the highest quality products and services as promised.

1.2 Scope of Request for Agreement (RFA)

For the purposes of this RFA, the Government will focus on the electronic filing of individual tax returns (1040 series). The Practitioner PIN Pilot was introduced in part, as a response to preparers' requests for paperless e-filing. The goal of the 1999 pilot was to increase electronically-filed Form 1040 returns by reducing perceived barriers; i.e., signature document (Form 8453), W-2s, W-2Gs, and/or 1099-R. The pilot provided a paperless filing experience for taxpayers that were eligible to participate. The taxpayer's self selected five digit PIN served as his/her electronic signature.

Industry Partners who wish to participate in the pilot program are expected to build into their software (or their affiliate's software) a worksheet which can be printed and signed (pen and ink) by the taxpayer. A sample worksheet is a part of Attachment A. The software must also be enabled to accept the taxpayer and preparer's PINs. Attachment B provides the screen used for entering the PIN during the 1999 filing season. Minor changes may be made to this text and, if so, will be communicated as soon as they are finalized. Information regarding fields, formats, reject codes and values for the version indicator are in Attachment C. Returns with electronic signatures will be received through the IRS Data Communication Subsystem.

Industry Partners shall demonstrate how they will reduce burden and increase electronic filing for underrepresented IRS *e-file* market segments. Although the IRS *e-file* program accepts Forms 1040EZ, 1040A, and much of the 1040 family of returns and schedules, most of its users file the simplest returns, driven primarily by the incentive of accelerating refunds. Underrepresented market segments involve balance due filers, more complicated returns (Forms 1040 rather than 1040EZ or 1040A) and Federal/State filers. These returns will be filed through an ERO.

The IRS anticipates entering into agreements for the 2000 filing season (1999 tax year) with an option to extend the agreement for an additional year. The term of each agreement will be for a maximum of two years, that is one year with an option to extend for another year, subject to mutual agreement.

1.3 Mandatory Eligibility Requirements

In order to be eligible for an Agreement for the 2000 filing season, an Offeror responding to this RFA must:

- Be an IRS approved commercial software developer of tax preparation software or be affiliated with an approved software developer;
- Agree to report progress (see 2.2 below) by tracking and reporting the number of taxpayers that elect to participate in the Practitioner PIN Pilot.
- Agree to send Practitioner PIN pilot returns through one transmitter who will be responsible for building a database to validate that only selected practitioners are submitting pilot returns.
- Agree to nominate Preparers who are interested in participating in the pilot.

1.4 Existing ETA Programs

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This RFA focuses on the IRS *e-file* program using a tax professional to prepare electronic returns while simultaneously serving as an Electronic Return Originator (ERO).

The IRS *e-file* program using a tax professional is the IRS' major individual electronic tax return filing program. The IRS developed e-file in 1986 when personal computers and modems had not yet found their way into most homes. To take advantage of automated tax return preparation and the ability to transmit return data electronically; the IRS formed an alliance with the tax preparation firms. These firms integrated electronic filing into their existing businesses and, in some cases, charged fees for these additional services. As of July 09, 1999, more than 21 million taxpayers filed electronically through the e-file program using tax professionals. Prior to 1999 IRS *e-file* still required preparing, signing, and mailing of a paper signature document (i.e., jurat) to authenticate each electronic return, accompanied by W-2 wage documents and other attachments to the return requiring signatures.

In 1999, IRS piloted a paperless filing opportunity for taxpayers that were eligible to participate. Three organizations were selected as part of Electronic Tax Administration Request for Agreement process to partner with the IRS on this pilot. The requirement for eligibility was taxpayers that had no other attachment to his/her paper signature document except Forms W-2, W-2G and/or 1099-R. The IRS waived submission of Forms W-2, W-2G, and 1099-R, for pilot participants. The use of electronic authentication in conjunction with the waiver for the attachments eliminated the need for the paper Form 8453 and the above mentioned documents. Due to the success of the program, IRS decided to continue the pilot for the 2000 filing season.

2.0 PROPOSAL REQUIREMENTS

Proposals shall clearly state the implementation milestones and associated time frames for the proposed solution, for both the Offeror and the IRS. If the IRS determines that the proposal cannot be accomplished in time for the 2000 filing season, then the proposal will be rejected.

2.1 Project Plan

All proposals submitted in response to this RFA shall be submitted in the form of a project plan. The format for the project plan is as follows:

Introduction

- Briefly describe your understanding of the objective and scope of the proposed Agreement.
- Address the RFA's Mandatory Requirements (See Section 1.3) and provide evidence of your compliance.
- Identify your tax preparation software in the proposal.
- Identify the transmitter who will be transmitting returns to the IRS under this proposal and include his/her Electronic Transmitter Identification Number (ETIN).
- Include point of contact (POC) information (name, address, phone number, e-mail address and fax number) for discussion and negotiation of your proposal. The point of contact shall have decision making (commitment) authority for the proposal.

Description of Solution and Proposed Agreement

- Include POC information (if different than above) for management of your performance of the Agreement. Describe the POC's scope of authority and the resources available to the POC for ensuring the performance of the Agreement.
- Describe the duties and responsibilities as an Industry Partner to the IRS in fulfilling the proposed Agreement.
- Describe the definition of success for your solution and means of measuring quantifiable benefits for evaluating that success.

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- Describe how you intend to increase electronically filed returns in the underrepresented market segments (complicated returns, balance due returns and Federal/State returns). Include the impact on complicated returns, balance due returns and Federal/State returns. Cite research wherever possible.
- Clearly describe your plan for identifying your nominee preparers.
- Explain how selected preparers will be trained as well as monitored to ensure they are following proper procedures.
- Describe the attention that will be given to this project and the resources allocated, and your plan for managing and implementing the Agreement.
- Describe the milestones and time frames associated with implementation including all deliverables. Clearly delineate the milestones and time frames associated with each participant, the Offeror and IRS.
- Estimate the total number of preparers you are likely to have actively involved in the pilot. If preparers have more than one location, estimate the number of EFINs that may be active.
- Estimate the volume of returns anticipated as a result of the Practitioner PIN Pilot and what percentage of increase that represents from 1999 if applicable.
- Define and describe how you will track the number of participants that file at least one e-filed return using the electronic PIN signature.
- Return the Sample ETA Agreement (Attachment D to this RFA) with any proposed additional content for negotiation, including dispute resolution and any remedies other than termination for the failure of either party to perform.

2.2 Agreement Deliverables

On a weekly basis following the start up of filing season, the Industry Partner shall submit a project performance report. This report shall include the number of electronically filed returns and the number of practitioners identified by EFIN who participated in the pilot. A preliminary Pilot Finding Report shall be submitted by March 3, of each calendar year, and the final Project Performance Report shall be submitted on May 31, of each calendar year for the term of the agreement to the IRS Point of Contact. This report shall be used as a means to determine whether the Industry Partner has successfully performed the agreement. This report is subject to inspection, verification and approval by the IRS and will be used to determine whether any option to extend the Agreement is exercised.

3.0 DELIVERY OF PROPOSAL/PROJECT PLAN

Offerors shall submit proposals via electronic mail to Mr. Jeffrey Petrino, Contracting Officer at "jeffrey.petrino@ccmail.irs.gov." Offerors shall submit proposals in Microsoft Word 97 or lower version or WordPerfect 6.1 or lower version. We do not anticipate the need for proposals to be very large in size, so file compression is not required. Any Offeror who intends to compress the file must use WinZip 6.2 or less. Proposals for the 2000 filing season shall be completely transmitted through electronic mail by 5:00 p.m. EDST August 16, 1999. The IRS may issue agreements for the 2001 filing season between October 25, 2000 and October 30, 2000. Proposals for the 2001 filing season if needed, shall be completely transmitted through electronic mail by 5:00 p.m. EDST June 30, 2000. Extraneous narratives, elaborate brochures, uninformative Public Relations material and so forth will not be considered. Proposals must be sent by electronic mail. Any proposal that is delivered solely by other media will not be considered. Please note that our communication system delivers E-mail of up to 2MB in size between 6:00 a.m. and 6:00 p.m. Anything larger than 2MB up to 9MB (maximum size accepted) is delivered after 6:00 p.m. and before 6:00 a.m.

4.0 EVALUATION PROCESS AND ASSESSMENT CRITERIA

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The Offerors' proposals will be evaluated using the three-step process and the factors described below.

Step 1

The first step of the evaluation entails an assessment of the Project Plan to determine: (1) the Offeror's adherence to the scope of the RFA (see 1.2 above), (2) Offeror's compliance with the mandatory requirements (see 1.3 above); and (3) realism of the Offeror's proposal for accomplishment in time for the filing season(s) proposed. The IRS will make this determination on a pass/fail basis. Proposals that pass by including acceptable responses to the mandatory requirements and proposing agreements that are within the scope of this RFA and are achievable in time for the proposed filing season(s) will move to the next step.

Step 2

In the second step, any proposals whose Project Plan contains significant omissions or ambiguities will no longer be considered. The IRS will evaluate proposals whose Project Plan is clear or whose uncertainties are minimal. The IRS will resolve any minor uncertainties in the remaining proposals with the offerors who submitted them.

In this step the following factors will be scored based on a scale not to exceed a 100 points:

Factor 1 - Soundness of Approach: (25 Pts.)

- Does the Offeror promise appropriate management attention and resources?
- Are duties, responsibilities, and milestones clearly stated for both the Offeror and the IRS? Are they achievable?
- Manageability, i.e., is the burden to the IRS in allocating the resources or in making the changes requested by the Offeror in time for the proposed filing season acceptable?
- Is the plan achievable for identifying preparer nominees?
- Does the Offeror identify one transmitter to transmit returns?

Factor 2 - Impact on Underrepresented Market Segments, i.e., are there any positive impacts on any of the following: (50 Pts.)

- On complicated returns?
- On balance due returns?
- On Federal/State returns?

Estimates provided for the impact on Underrepresented Market Segments should be supported by market research.

Factor 3 – Quality Factors, i.e., does the proposal demonstrate prior success rates from previous participation or provide sufficient evidence or other credentials to assure reasonable quality in return transmission: (25 Pts.)

- Does the Offeror demonstrate the ability to effectively educate the practitioner on the benefits of filing using their PIN?
- Has the Offeror electronically filed federal income tax returns for the e-file software product and achieved a minimum successful transmission and acceptance rate? Provide the acceptance rate, if applicable.

Concurrently, the Offeror's Project Plan will be reviewed by the IRS Criminal Investigation. This review will address fraud prevention and detection implications of the proposal. Also, the IRS will assess the proposal to assure the proposed Agreement does not disrupt other planned filing season activities. These reviews will be conducted on a pass/fail basis. Any uncertainties in the Offeror's proposal identified by the IRS will be communicated to the Offeror for clarification and

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possible negotiation. Offerors' proposed agreements that pass the Step 2 evaluation and the internal IRS reviews will continue to the next step.

Step 3

In the final stage of the process applicants will be ranked and selections made to determine the new Industry Partners.

Attachment A

Practitioner Personal Identification Number (PIN) Pilot for 1999

Scope: Our processing channel was taxpayers who used a paid preparer (practitioner) selected from a list of practitioners offered to IRS by H&R Block, Intuit, and the National Association of Enrolled Agents (NAEA). These three organizations were selected as part of Electronic Tax Administration's (ETA) Request for Agreement (RFA). The IRS used compliance information regarding these preparers (e.g., reject rates) to select the practitioners who could participate in the pilot. Interested paid preparers who did not file electronically in 1998 were not selected since we did not have current compliance information on which to evaluate them. The selection process resulted in over 8100 practitioners being selected from over 9100 offered to the IRS.

Background: Currently, many Electronic Return Originators (ERO) would like to hold the jurat (Form 8453), but there is no statutory authority to do so since that is the official signing of the return. This pilot introduced the use of an IRS *e-file* authentication worksheet (attached) which meets ERO's needs and provides evidence of intent for IRS purposes.

Pilot Description: H&R Block, Intuit, and NAEA built into their software a worksheet that could be printed and completed so that it contains:

1. a pen and ink signature of the taxpayer that is not the return signature, but a certification of the figures on the *e-filed* return, and
2. the taxpayers' **self-selected**, one-time use Personal Identification Number with a certification that the PIN is his/her signature for purposes of the filing.

A taxpayer signed the electronic return using the self-selected PIN. An ERO signed the return using his/her PIN (a combination of the Electronic Filing Identification Number (EFIN) with an additional five characters to create a unique signature). The ERO retained the worksheet. Returns, with electronic signatures, were received through the IRS Data Communications Subsystem. Processing was modified to ensure that no Form 8453 would be expected when the PIN was successfully used as an electronic signature.

IRS e-file Authentication Worksheet

DCN (generated from tax return software)

Taxpayer Name (generated) _____

Spouse Name (generated) _____

Purpose: (1) To record the pen and ink signature of the taxpayer/spouse as certification of figures from the taxpayer's IRS *e-filed* return and the use of the self-selected Personal Identification Number as his/her signature for purposes of the current filing. (2) To record the pen and ink signature of the Paid Preparer/Electronic Return Originator (ERO) as certification of the use of the Personal Identification Number as his/her signature for purposes of the current filing.

A. Series Form 1040 entries for the year January 1 - December 31, 1998

- | | |
|--|----------|
| 1. Total income (Form 1040, line 22; Form 1040A, line 14; Form 1040EZ, line 4) | 1. _____ |
| 2. Total tax (Form 1040, line 53; Form 1040A, line 28; Form 1040EZ, line 10) | 2. _____ |
| 3. Federal income tax withheld (Form 1040, line 54; Form 1040A, line 29a; Form 1040EZ, line 7) | 3. _____ |
| 4. Refund (Form 1040, line 62a; Form 1040A, line 31a; Form 1040EZ, line 11a) | 4. _____ |
| 5. Amount owed (Form 1040, line 64; Form 1040A, line 33; form 1040EZ, line 12) 5. | _____ |

B. Certification of Taxpayer/Spouse Personal Identification Number

Taxpayer's Personal Identification Number _ _ _ _ _ **Date** _____

I, Taxpayer, hereby certify that the above Series Form 1040 entries are consistent with my Individual Income Tax Return for the tax year January 1 - December 31, 1998. I, Taxpayer, further certify that the numeric characters recorded above are my Personal Identification Number, which is my signature for my IRS *e-filed* return and Consent to Disclosure.

(Taxpayer Pen and Ink Signature)

Spouse's Personal Identification Number _ _ _ _ _ **Date** _____

I, Taxpayer spouse, hereby certify that the above Series Form 1040 entries are consistent with my Individual Income Tax Return for the tax year January 1 - December 31, 1998. I, Taxpayer spouse, further certify that the numeric characters recorded above are my Personal Identification Number, which is my signature for my IRS *e-filed* return and Consent to Disclosure.

(Taxpayer Spouse Pen and Ink Signature)

C. Certification of Paid Preparer/ERO Personal Identification Number

Paid Preparer/ERO's Personal Identification Number _ _ _ _ _ **Date** _____

I, Paid Preparer/ERO, hereby certify that the above numeric characters are my Personal Identification Number, which is my signature on the IRS return documented on this IRS *e-file* Authentication Worksheet. I, Paid Preparer/ERO, further certify that a representative of my office viewed the taxpayer/spouse completion of this IRS *e-file* Authentication Worksheet.

(Paid Preparer/ERO Pen and Ink Signature)

**Tax Return Signature/Consent to Disclosure
Practitioner PIN Pilot**

Required Statement Field

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and complete. This declaration is based on all information of which I have any knowledge.

Paid Preparer's PIN _ _ _ _ _

Tax Return Signature

Under penalties of perjury, I declare that I have examined this return and, to the best of my knowledge and belief, it is true, correct, and complete.

Consent to Disclosure

I consent to my Electronic Return Originator (ERO) sending my return to the IRS. I also consent to the IRS sending my ERO and/or transmitter an acknowledgment of receipt of transmission and an indication of whether or not my return is accepted, and if rejected, the reason(s) for the rejection. If the processing of my return or refund is delayed, I authorize the IRS to disclose to my ERO and/or transmitter the reason(s) for the delay, or when the refund was sent.

-- -- -- -- --
ACH Debit Consent*

I authorize the U.S. Treasury and its designated Financial Agents to initiate an ACH debit entry to my financial institution account indicated, for payment of my Federal taxes owed to the U.S. Treasury, and my financial institution to debit the entry to my account. I also authorize the financial institutions involved in the processing of my electronic payment of taxes to receive confidential information necessary to answer inquiries and resolve issues related to my payment.

I am signing this ACH Debit Consent by entering my PIN below.

-- -- -- -- --

Taxpayer's PIN _ _ _ _ _ Date (all numerics) _ _ _ _ _

Spouse's PIN _ _ _ _ _

* This paragraph is optional and would only appear if the taxpayer chooses this payment option through a question in

the vendors software.

Attachment C

The format information is as follows:

| <u>Data</u> | <u>Field</u> | <u>Format</u> | <u>Position</u> | <u>Values</u> |
|------------------------------------|--------------|---------------|-----------------|---|
| Page 2 of Tax Return: | | | | |
| Jurat/Consent Version Indicator | 1319 | numeric | 1 | 5 = Practitioner Pilot With Direct Debit 6 = Practitioner Pilot without Direct Debit |

| | | | |
|--------------|------|---------|---|
| Taxpayer PIN | 1321 | numeric | 5 |
|--------------|------|---------|---|

| | | | |
|------------|------|---------|---|
| Spouse PIN | 1324 | numeric | 5 |
|------------|------|---------|---|

Summary Record:

| | | | |
|----------------|----|---------|--------------|
| Signature Date | 33 | numeric | 8 (YYYYMMDD) |
|----------------|----|---------|--------------|

Practitioner PIN Pilot Reject Codes:

- 014 Data may be entered in the following fields of the Tax Form only when the return is filed as part of the Practitioner PIN Pilot: Primary Taxpayer Signature (SEQ 1321) and Spouse Signature (SEQ 1324).
- 441 For the Practitioner PIN Pilot, if Filing Status (SEQ 130) equals "2" and a Personal Identification number (PIN) is present in either the Primary Taxpayer Signature (SEQ 1321) or the Spouse Signature (SEQ 1324) of the Tax Form, then the PIN must be present in both fields.
- 442 For the Practitioner PIN Pilot, if a Personal Identification Number (PIN) is present, then the Jurat/Disclosure **Version Indicator** (SEQ 1319) of the Tax Form and the Signature Date (Field 33) of the Summary Record must be present.
- 443 For the Practitioner PIN Pilot, the first six positions of the Name of Paid Preparer (SEQ 1340) must equal the Electronic Filer ID Number (EFIN) in the Declaration Control Number (DCN).
- 445 For the Practitioner PIN Pilot, if Primary Taxpayer Signature (SEQ 1321) or Spouse Signature (SEQ 1324) is significant, then Name of Paid Preparer (SEQ 1340) must be numeric.

Attachment D

IR-00-00

ELECTRONIC TAX ADMINISTRATION MEMORANDUM OF AGREEMENT BETWEEN THE INTERNAL REVENUE SERVICE AND THE XXXXXXXX XXXXXXXXXXXXXXXX

1. INTRODUCTION:

This Electronic Tax Administration ("ETA") Memorandum of Agreement ("Agreement") between the Internal Revenue Service ("IRS") and the XXXXXXXX sets forth the complete agreement of the parties with regard to participation as "Industry Partners" of the IRS with respect to an alternative signature pilot for the e-file program during the 2000 filing season which covers the 1999 tax year. XXXX will be referred to as "Participant" for the remainder of this document. The parties agree that, except as provided below, the Participant will be treated as an Electronic Return Originator (ERO) as is defined in 3.01(1) and (4) of Rev. Proc. 96-61 (and any subsequent revenue procedures relating to electronic filing of Form 1040, Individual Income Tax Return.). Also, except as provided below, the parties agree to comply with all relevant statutory, regulatory, and administrative requirements relating to the electronic filing program.

2. AUTHORITY:

This Agreement is entered into pursuant to the authority vested in the Commissioner of the IRS by Treasury Order 150-10 to administer and enforce the internal revenue laws and revenue procedures for electronic filing.

This Agreement is not an "acquisition" as that term is defined in the Federal Acquisition Regulation ("FAR") 2.101; therefore, the FAR does not apply to this Agreement.

3. BACKGROUND AND PURPOSE:

This Agreement results from the evaluation and selection by the IRS of a proposal received in response to a solicitation or Request for Agreement ("RFA") for ETA Partnerships. Proposals were sought for non-monetary Agreements formally described as approach 2 in Solicitation Number: TIRNO – 99-H-0002, Project 7.

The purpose of this Agreement is to engage in a Pilot Test for the 2000 filing season which may result in either the reduction or removal of barriers to use of the existing ETA program.

4. DEFINITIONS:

N/A

5. APPLICABLE DOCUMENTS:

N/A

6. AUTHORIZED REPRESENTATIVES:

Internal Revenue Service:

Thomas S. Bruce

5000 Ellin Road

OP:ETA:E:R

Lanham, MD 20706

Telephone: 202-283-7846

Fax: 202-283-4829

email: thomas.s.bruce@ccmail.irs.gov

XXXXXXXXXX XXXXXXXXXXXX:

XXXXXX XXXX

XXXXXXXXXXXX

XXX XXXXXXXXXXX

XXXXXXXXXXXX XXXXXXX

Telephone: XXX-XXX-XXXX

Fax: XXX-XXX-XXXX

e-mail: XXXXX@XXXX.XXX

7. DUTIES AND RESPONSIBILITIES OF THE IRS:

The IRS agrees for the 2000 filing season to:

- 1) receive returns containing Personal Identification Numbers (PIN) as signatures in lieu of the paper Form 8453, from participating Electronic Return Originators (ERO)/Paid Preparers, starting January 11, 2000;
- 2) select Electronic Filing Identification Numbers (EFIN) from EFINs submitted by the Participant based on IRS quality measures (e.g., good standing and relative reject rates);
- 3) provide Participant with Consent to Disclosure/Jurat text (Attachment 1);
- 4) continue programming changes to include:
 - C reject criteria as follows:
 - If there is a primary/secondary signature and the Paid Preparer name field is not numeric (reject code 14)
 - If the first six positions of the Paid Preparer name field is not equal to the Declaration Control Number (DCN) EFIN (reject code 443)
 - If Married Filing Jointly and there is significance in one filer signature field and there is no significance in the other filer signature field; (reject code 441)
 - If there is a PIN and no Signature Date input by the taxpayer (If

Married Filing Jointly, only one Signature Date is necessary); (reject code 445)

- new reject criteria as follows:
 - If Consent/Jurat Version Indicator does not accompany returns containing a PIN (reject code 442)
 - C an indicator to prevent later search for a Form 8453;
 - C fields 1321 and 1324 on page 2 of the Form 1040 record equal to five positions and numeric;
 - C a Version Indicator (1319) added to page 2 of the Form 1040 record;
 - C a Signature Date field (33) added to the Summary Record;
- 5) issue instructions for participating ERO/Paid Preparers to include:
- require taxpayers to personally enter the PIN;
 - C retain the IRS *e-file* Authentication Worksheet for a period of five years and provide it to the IRS upon request;
 - C select a unique Personal Identification Number for each preparer (i.e., EFIN plus five additional digits);
 - C ensure and be able to document that an ERO/Paid Preparer who moves from one office to another has a unique PIN in each office;
 - C follow tolerances given in Publication 1345, Handbook for Electronic Filers of Individual Income Tax Returns, to determine if they must print another IRS *e-file* Authentication Worksheet and have the taxpayer complete it when the return is rejected;
 - C require the taxpayer(s) to reenter the PIN in all rejection situations where a taxpayer(s) would be required to sign a new Form 8453;
 - C batch pilot and non-pilot returns together in their transmissions;
 - C accept only taxpayers into the pilot who have no required attachments except the W-2, W-2G, and 1099R ,which will be waived for the pilot;
 - C follow the sequence specified by the IRS for preparing and presenting the return and worksheet to the taxpayer;
 - C limit pilot filings to situations where the practitioner provides ERO and Paid Preparer functions to the taxpayer(s);
- 6) prepare an IRS handout describing pilot to be used by the preparer in explaining the pilot to their taxpayers;
- 7) make monitoring visits to participating ERO/Paid Preparers to examine retained IRS *e-file* Authentication Worksheets and other terms agreed upon in this Memorandum of Agreement;
- 8) prepare quality measures to be used for pilot evaluation.

8. DUTIES AND RESPONSIBILITIES OF THE PARTICIPANT:

Participant agrees for the 2000 filing season, at no charge to the IRS, to:

- 1) provide the IRS, by September 30, 1999, with an electronic listing of ERO/Paid Preparers who are interested in participating in the Practitioner PIN pilot to include Preparer's EFIN and location;
- 2) enable their software to process returns for the Practitioner PIN pilot in the following ways:
 - C make program changes to allow for an IRS *e-file* Authentication Worksheet as specified by the IRS (Attachment 2);
 - C revise the Consent to Disclosure/Jurat text as specified by the IRS;
 - C accept the taxpayer/spouse PIN(s) and ERO/Paid Preparer PIN with the Consent to Disclosure/Jurat text;
 - C enable a Consent to Disclosure/Jurat Version Indicator and transmit the version indicator, including the PIN signatures, with the return;
 - C enable the taxpayer/spouse PIN(s) to flow from the Consent to Disclosure/Jurat text to the taxpayer/spouse signature in fields 1321 and 1324 respectively;
 - C enable the ERO/Paid Preparer PIN to flow from the Consent to Disclosure/Jurat text to the Paid Preparer signature field 1340;
 - C enable the Signature Date to flow from the Consent to Disclosure/Jurat text to the Summary Record field 33;
 - C transmit Form 1040 fields 1321 and 1324 as numeric and five positions, Form 1040 field 1340 as numeric and 11 positions (left justified), Form 1040 field 1319 as numeric and one position, value 5 = Practitioner PIN Pilot with Direct Debit and value 6 = Practitioner Pilot without Direct Debit, and Summary Record field 33 as numeric and 8 positions (YYYYMMDD);
 - C optionally flow the PIN(s) from the Consent to Disclosure/Jurat to the IRS *e-file* Authentication Worksheet;
 - C allow taxpayer/spouse PIN to be visible on the screen; and
 - C include a message advising taxpayers who file a joint Federal and state return that if there is an error on the state return, their Federal return would be rejected.
- 3) ensure that EROs direct taxpayers to **personally** input his/her PIN; and if taxpayer is married filing a joint return, his/her spouse must be present to personally enter his/her PIN.
- 4) on a weekly basis following the beginning of the filing season submit a project performance report to include the number of electronically filed returns and the number of practitioners identified by EFIN who participated in the pilot.
- 5) allow ERO/Paid Preparer to move from one office to another as long as a PIN unique to each person in each office is used as the ERO/Paid Preparer signature;
- 6) provide a preliminary Pilot Finding Report by March 5, 2000, and a final report by May 31, 2000, containing the conduct and findings of the pilot (including any problems,

changes made during the pilot, lessons learned and recommendations for improvement), client feedback, recommendations for extended pilot options and resulting or required IRS system/procedural changes;

- 7) require that transmitters check for authorized EFINs prior to transmission and reject any return with a PIN from a non-participating office;
- 8) demonstrate to the satisfaction of the IRS that PINs are being transmitted both from the Consent/Disclosure screen and in the signature fields (i.e., 1321, 1324 (if there is a spouse PIN), and 1340);
- 9) agree to report progress by tracking and reporting the number of taxpayers that elect to participate in the Practitioner PIN Pilot;
- 10) train and monitor participants to ensure they are following proper procedures; and
- 11) aggressively market the PIN pilot especially in the underrepresented market segments (complicated returns, balance due returns, and Federal/State returns).

9. LIABILITY:

(A) Each party to this agreement shall be responsible for the acts and omissions of its own employees.

(B) The IRS shall not be liable for any injury to the Participant's personnel or damage to the Participant's property unless such injury or damage is due to negligence on the part of the Government and is recoverable under the Federal Tort Claims Act {28 U.S.C. 1346(b)}.

10. THIRD PARTY RIGHTS:

This Agreement does not confer any rights or benefits on any taxpayer or any third party.

11. PERIOD OF PERFORMANCE AND TERMINATION:

(A) This Agreement shall be in effect from September 15, 1999 through July 31, 2000, renewable for one additional one-year option period by mutual consent. Also, if mutually agreed to by the IRS and Participant, the participating ERO/Paid Preparers may continue to transmit returns signed with PINs beyond July 31, 2000, to include the extension periods up to October 15, 2000.

(B) This Agreement may be terminated by either party upon 30 days after receipt of written notice signed by either of the signatories to this Agreement or by their successors or designees. The Participant understands that in the event the IRS terminates this Agreement, the Participant has no right to any claim against the Government, including a claim for termination costs.

12. MODIFICATION OF AGREEMENT:

This Agreement may be modified by either party, but only upon mutual agreement. All modifications must be in writing and signed by authorized signatories to this Agreement or by their successors.

13. INSPECTION RIGHTS:

(A) The IRS may inspect the work performed by the Participant upon reasonable notice to the Participant's Authorized Representative and in a manner that will not interfere with the Participant's performance of this Agreement. The Participant shall provide access for this purpose to the IRS's Authorized Representatives(s) to the location where the work is being performed. The IRS shall also have the right to inspect the Participant's Report of the work performed as a result of this Agreement. The IRS's Authorized Representative shall provide the results of any inspections to the Participant's Authorized Representative for any necessary resolution.

(B) The IRS may evaluate the Participant's performance of this Agreement and may provide the results of this evaluation to the Participant, in writing, on a quarterly basis for written comment and return to the IRS. The evaluation, including the Participant's comments, may be used by the IRS in considering the Participant for future Agreements or Contracts.

14. REMEDIES:

There are no additional remedies other than the termination rights as defined in 11(B).

15. LIMITATIONS:

The terms of this Agreement are not intended to alter, modify, or rescind any current Agreement or provision of Federal law now in effect. Any provision of this Agreement which conflicts with Federal law will be null and void.

16. DISPUTE RESOLUTION:

N/A

17. SIGNATURES:

Internal Revenue Service
Sherrill A. Fields, National Director

Date:_____

Electronic Program Enhancement Office

_____ Date: _____